QUICK RESPONSE FUND: MANAGEMENT CONTROLS HAVE IMPROVED BUT EARLIER PROJECTS NEED ATTENTION

SIGIR 11-011
APRIL 27, 2011

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SIGIR

Special Inspector General for IRAQ Reconstruction

Summary of Report: SIGIR 11-011

Why SIGIR Did This Study

In August 2007, the Department of State (DoS) established the Quick Response Fund (QRF) program to provide Provincial Reconstruction Teams (PRT) with a flexible means to fund local projects that would promote economic and social development in Iraq. DoS allocated $258.2 million from its Economic Support Fund for use in the QRF program. The program had two components: a DoS component, which we refer to as the QRF-State (QRF-S), and a U.S. Agency for International Development (USAID) component, known as the Iraq Rapid Assistance Program (IRAP). Our past reports on the program revealed weaknesses in controls over QRF funds.

Our reporting objective in this audit was to examine the adequacy of DoS and USAID management controls to help prevent fraud, waste, and abuse.

Recommendations

SIGIR recommends the U.S. Secretary of State direct the appropriate offices to:

(1) conduct an assessment of all QRF-S projects initiated in 2007 and 2008 to determine if project outcomes are documented and whether funds can be accounted for;

(2) prepare a report for the Secretary on the assessment results and actions taken to address identified problems; and

(3) ensure that the Office of Provincial Affairs and the PRTs understand and implement DoS records management policies and procedures and ensure that original QRF records are preserved and maintained until the assessment is completed.

Management Comments and Audit Response

DoS's Deputy Assistant Secretary, Acting, Bureau of Near Eastern Affairs provided written comments to a draft of this report, and the comments are reprinted in Appendix G. The Deputy Assistant Secretary, Acting, concurred with our recommendations and cited actions DoS plans to take. DoS also provided separate technical comments that we have addressed in the report, as appropriate.

For more information, contact SIGIR Public Affairs at (703) 428-1100 or PublicAffairs@sigir.mil

April 27, 2011

QUICK RESPONSE FUND: MANAGEMENT CONTROLS HAVE IMPROVED BUT EARLIER PROJECTS NEED ATTENTION

What SIGIR Found

Since SIGIR's January 2009 report on the QRF program, which identified a number of weaknesses, DoS has improved management controls over its respective component of the program. However, DoS needs to address accountability issues, particularly project outcome reporting and fund use documentation, which were missing from many of the project files that SIGIR reviewed during this audit. SIGIR found that 20 QRF-S projects implemented since January 2009 had most of the required documents, but most of the 20 QRF-S projects implemented in 2007-2008 were missing documents, particularly on project outcome and fund use. Overall, from this period, 56% of the requested or required documents were missing from project files; 14 projects (70%) were missing financial documents. The total value of these projects, which were implemented by PRTs in Anbar, Baghdad, Ninewa, and Tameem provinces, was $259,378.

Due to the large percentage of missing documents for projects conducted in 2007-2008, we expanded our scope to include an additional 159 projects from all provinces for that time period and found similar results. SIGIR's analysis found that 35% of the documents were missing from the expanded review of 2007-2008 project files; 92 projects (58%) were missing project outcome documents; 43 projects (27%) were missing invoices and receipts; and 29 projects (18%) were missing purchase order forms used by PRTs. SIGIR also found that 21 projects (13%) were missing all three documents, meaning that there was no record of what was accomplished or how the money was spent.

The absence of required documentation leaves projects vulnerable to fraud, waste, and abuse. To illustrate, SIGIR found eight projects in one Iraqi province, and all were missing key financial documentation, which raised questions about possible fraud. Together, these projects totaled $165,810; the cases have been referred to SIGIR Investigations for follow-up. We have not concluded that fraud has occurred in these cases, but the circumstances surrounding them represent a risk that warrants further investigation. Several other projects involving waste and/or possible fraud were brought to SIGIR's attention during visits to PRTs or through project file reviews. Together, these projects totaled $109,145.

By contrast, SIGIR found that USAID had good management controls over its respective component of the QRF program. USAID-managed IRAP project files had virtually all required documentation. To illustrate, SIGIR reviewed files for 20 USAID projects for 2007-2008 and 20 projects for 2009-2010, and found only one document missing. We determined that USAID's implementing partner's records contained all of the required outcome, financial, and oversight documentation. This included all final close-out reports that detailed the outcome of the grants as well as the financial documentation that provided audit trails of how the grant money was used.

SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

April 27, 2011

MEMORANDUM FOR U.S. SECRETARY OF STATE

SUBJECT: Quick Response Fund: Management Controls Have Improved but Earlier Projects
Need Attention (SIGIR 11-011)

We are providing this report for your information and use. The report discusses management
controls over the Quick Response Fund program. We performed this audit in accordance with
our statutory responsibilities under Public Law 108-106, as amended, which also incorporates the
duties and responsibilities of inspectors general under the Inspector General Act of 1978. This
law provides for independent and objective audits of programs and operations funded with
amounts appropriated or otherwise made available for the reconstruction of Iraq, and for
recommendations on related policies designed to promote economy, efficiency, and effectiveness
and to prevent and detect fraud, waste, and abuse. This audit was conducted as Project 1015.

DoS's Deputy Assistant Secretary, Bureau of Near Eastern Affairs provided written comments to
a draft of this report. We have included their comments in Appendix G. We also obtained
technical comments and addressed them in the report, as appropriate.

We appreciate the courtesies extended to the SIGIR staff. For additional information on the
report, please contact Glenn Furbish, Assistant Inspector General for Audits (Washington, DC),
(703) 604-1388/ glenn.furbish@sigir.mil or Jason Venner, Principal Deputy Assistant Inspector
General for Audits (Washington, DC), (703) 607-1346/ jason.venner@sigir.mil.

Stuart W. Bowen, Jr.
Inspector General

cc: U.S. Ambassador to Iraq
Administrator, U.S. Agency for International Development
Mission Director, U.S. Agency for International Development

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**Quick Response Fund: Management Controls Have
Improved but Earlier Projects Need Attention**

SIGIR 11-011   April 27, 2011

Introduction

In August 2007, the Department of State (DoS) established the Quick Response Fund (QRF)
program and since then has allocated $258.2 million to fund local projects to promote economic
and social development in Iraq. QRF funds were provided through grants, micro-grants, direct
procurements, and micro-purchases of materials—such as seed, fertilizer, or books—to local
neighborhood and government officials and to members of community-based groups, such as
nonprofit organizations, business and professional associations, charities, and educational
institutions.

The Special Inspector General for Iraq Reconstruction (SIGIR) previously reviewed DoS's
management of the QRF program.[1] SIGIR reported that although DoS had developed a sound
process for reviewing and selecting projects, DoS still needed to develop an appropriate process
for monitoring and evaluating projects to determine their outcomes. SIGIR also reported that
DoS needed to establish procedures to ensure that QRF project files contained all required
documentation that identified project results including closeout documentation. Three other
reviews of the QRF program conducted in 2008 and 2009 all identified similar issues with
monitoring, measuring, and reporting project outcomes.[2] SIGIR initiated this review to examine
the adequacy of DoS and U.S. Agency for International Development (USAID) management
controls to help prevent fraud, waste, and abuse.

Background

DoS initiated the QRF program to provide Provincial Reconstruction Teams (PRT) in Iraq with a
flexible means to fund local projects that support community-based leaders and local Iraqi
organizations and institutions to improve access to public services, employment, and education.
The PRT program for Iraq is a U.S.-led, civil-military effort to assist Iraq's provincial and local
governments to govern effectively and deliver essential services. Though referred to under the
umbrella term "reconstruction," the PRT mission encompasses not only capacity development
but also counterinsurgency and stability operations. In addition to PRTs, embedded PRTs called
ePRTs also implemented QRF projects. The ePRTs were embedded with U.S. military brigade
combat teams. In this report we use the term PRT to mean both PRTs and ePRTs.

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[1] *Opportunities To Improve Management of the Quick Response Fund*, SIGIR-09-011, 01/28/2009.
[2] *Review of the QRF Program*, Department of State, Office of the Procurement Executive and Near Eastern
Affairs/Iraq, 03/2008; *Audit of USAID/Iraq's Iraq Rapid Assistance Program (IRAP)*, Audit Report No. E-267-09-
005-P, 08/16/2009; *Review of the U.S. Department of State's Quick Response Fund (QRF) Program*, Management
Systems International, 04/2009.

Roles and Responsibilities

A DoS official told us the Bureau of Near Eastern Affairs/Iraq (NEA/I) had overall responsibility for the QRF program including the allocation of QRF funds. NEA/I divided the program into two components—a DoS component and a USAID component—because it believed DoS could handle small projects up to $25,000 but would need an implementer for large projects. At the time, USAID managed the Civil Society and Conflict Mitigation program in Iraq, which was being implemented by a non-governmental organization, Development Alternatives, Incorporated (DAI). As a result, NEA/I decided to provide USAID some QRF funding to administer the larger projects. The USAID portion of the program became known as the "Iraq Rapid Assistance Program" (IRAP), and the DoS portion of the program continued to be known as the QRF program. In this report, we refer to the DoS part of the program as the "Quick Response Fund-State" (QRF-S) program to distinguish it from the larger QRF program.

DoS officials noted that in addition to NEA/I, other DoS agencies, including the Office of Provincial Affairs, at the U.S. Embassy-Baghdad, and the PRTs, also had management responsibilities. The PRTs selected all QRF-S projects. The Office of Provincial Affairs was responsible for providing overall program guidance and oversight of QRF-S projects and developed the QRF Tracking Database to help manage and oversee the projects.

USAID ran its IRAP program separately from DoS. DoS officials stated that once QRF funds were transferred to USAID, DoS considered it USAID's responsibility to manage the use of, and accounting for, those funds. USAID contracted with DAI to award and manage the IRAP projects, most of which were grants over $25,000. The USAID mission in Baghdad was responsible for overseeing DAI's grant activities. All grant proposals were reviewed by an Embassy-based Technical Evaluation Committee, which had the authority to approve grants up to $25,000; grants over $25,000 had to be approved by a Washington-based Technical Evaluation Committee. Once approved, grants were transferred to the USAID mission for implementation by DAI. USAID and DAI worked together to develop a performance management plan and the *IRAP Grants Administration Handbook*.

Status of Program Funds

DoS first requested QRF funding in its Fiscal Year 2007 supplemental budget request for monies from the Economic Support Fund. The request stated that the funding "will support a new Quick Response Fund modeled after the Department of Defense Commander's Emergency Response Program. Provincial Reconstruction Teams use this tool to quickly execute programs that will improve conditions in the local community." NEA/I officials reported that since the program's inception in August 2007, $258,202,978 has been allocated to the QRF program; DoS received $105,202,978, and USAID received $153,000,000.[3] Table 1 shows the status of QRF program funds as of February 1, 2011. As shown, $251,490,000 has been obligated; of that amount, $205,840,242 has been liquidated, and $45,649,758 remains in unliquidated obligations.

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[3] USAID's portion of the QRF program ended on September 30, 2010. DoS's portion of the program continued after September 30, 2010, under a newly negotiated cooperative agreement with DAI. Under what DoS is now calling the Iraq-QRF program, DAI will manage large grants until July 31, 2011, at which time it will begin closing out the program. The $105.2 million DoS reported it received includes funding for both the QRF and Iraq-QRF programs.

## Table 1—Status of QRF Program Funds as of February 1, 2011

Agency	Amount allocated	Amount obligated	Liquidated obligations	Unliquidated obligations
DoS	$105,202,978	$98,490,000	$65,400,000	$33,090,000
USAID	153,000,000	153,000,000	140,440,242	12,559,758
Totals	**$258,202,978**	**$251,490,000**	**$205,840,242**	**$45,649,758**

Source: DoS and USAID.

How QRF Funds Were Used

All but one of Iraq's 18 provinces (Qadissiya) received some QRF funds. Baghdad province received $34.4 million in funds, the most of any province. Anbar province was second, receiving $19.5 million, followed by Ninewa province at $10.5 million. The remaining 14 provinces that received QRF funds received less than $10 million each. Figure 1 shows the range of QRF funding by province.

Figure 1—QRF in Iraqi Provinces
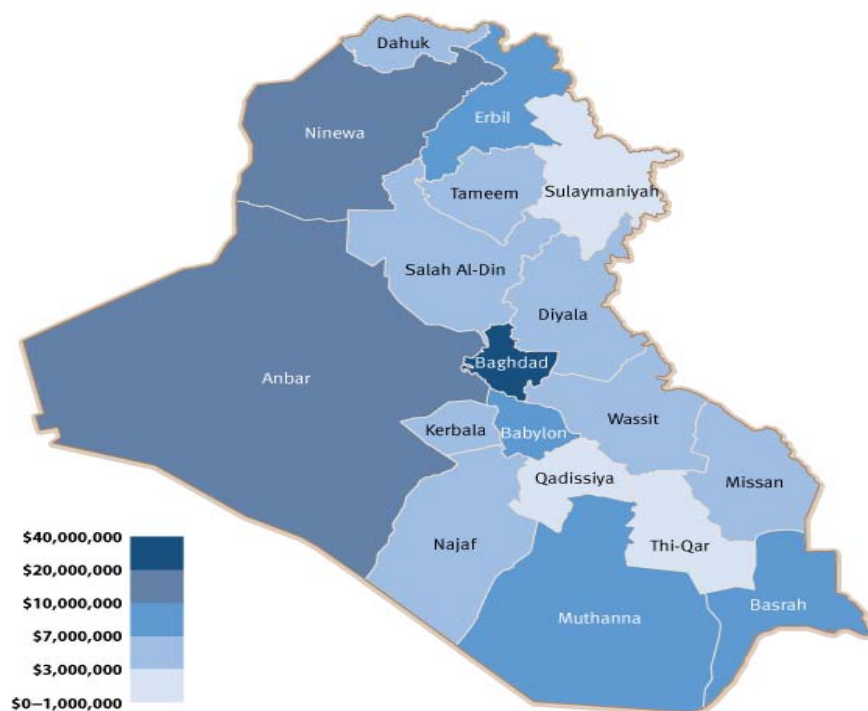
Source: Office of Provincial Affairs as of September 30, 2010.

Four primary mechanisms were used to fund QRF activities: grants, micro-grants, direct procurements, and micro-purchases. Micro-purchases and micro-grants could be used for projects costing up to $25,000; grants and direct procurements could be used for projects costing between $25,000 and $500,000. According to a DoS official, the QRF Tracking Database shows that 89% of QRF program funds were used for grants and micro-purchases.

Governance and education-related activities represented the largest share of approved projects (15% each), followed by projects addressing civil society needs (13%), economic development (10%), and agriculture (10%). The other seven themes each received 9% or less of the QRF funds. QRF program priorities included projects to prepare young people for productive careers, projects to encourage women to participate in a market-based economy, and environmental and public health projects. Figure 2 shows the distribution of projects by theme and the percentage each represented of the total QRF funds obligated.

Figure 2-QRF Projects by Theme, 9/2007-9/2010
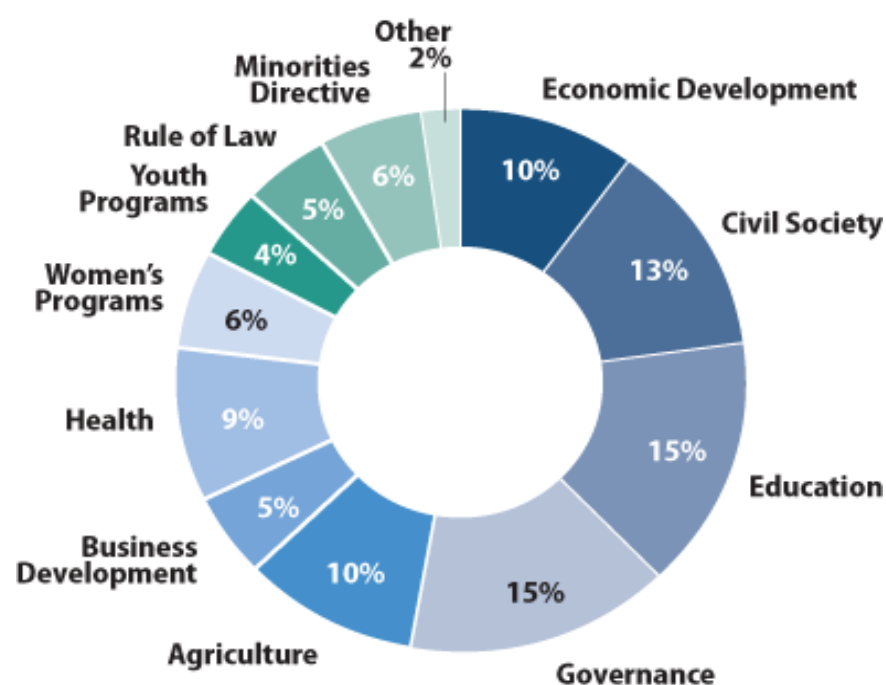
Source: SIGIR analysis of QRF financial data for September 2007 through September 2010.

Objective

Our reporting objective was to examine the adequacy of DoS and USAID management controls to help prevent fraud, waste, and abuse.

This report includes eight appendices. For a discussion of the audit scope and methodology, see Appendix A. For a list of problematic QRF-S projects not included in SIGIR's selected projects for review, see Appendix B. For a list of acronyms, see Appendix C. For the results of SIGIR's documentation review of QRF-S projects for 2009-2010, see Appendix D. For the results of SIGIR's documentation review of QRF-S projects for 2007-2008, see Appendix E. For a list of the audit team members, see Appendix F. For management comments, see Appendix G. For the SIGIR mission and contact information, see Appendix H.

DoS and USAID Management Controls Improved Over the Life of the Program

Since SIGIR's January 2009 report on the QRF program, DoS's management of its component of the QRF program improved significantly. However, DoS still needs to address many accountability issues that occurred prior to that time. Although SIGIR found that 20 QRF-S projects implemented since January 2009 have most of the required documents, a large percentage of the 20 QRF-S projects we reviewed from 2007-2008 are missing key documentation, particularly documents that demonstrate project outcome and how funds were used. Because of this we expanded our review and examined another 159 QRF-S projects from 2007-2008 and found similar results. This information is important for documenting program accomplishments and guarding against funds being subject to fraud, waste, and abuse.

Overall, USAID had good management controls over its component of the QRF program. Most of the USAID-managed projects for 2007-2008 and 2009-2010 that SIGIR reviewed—20 projects for each period—had the required documentation in the project files. An August 2009 report by the USAID Office of Inspector General (USAID/OIG) addressed management of IRAP grants through March 2009. The report identified some problems, including financial irregularities. However, SIGIR's review indicates that USAID's implementing partner has taken steps to improve controls and address the prior problems.

DoS Management Controls Have Improved Over Time, but Prior Problems Still Need Attention

To assess DoS's management of its QRF-S projects, SIGIR selected 40 QRF-S funded projects from two time periods—20 projects from 2007-2008 and 20 from 2009-2010. All of these projects were conducted by PRTs in Anbar, Baghdad, Ninewa, and Tameem provinces, and five project files from each province were reviewed for each time period. For each project, we checked the QRF Tracking Database for required documents as well as other key management and financial documents that NEA/I officials advised they always asked for or encouraged but did not require throughout the program. If the documents were not in the QRF Tracking Database, we listed them as missing.

The Embassy's Office of Provincial Affairs issued guidance on the documents that were to be entered into the database. However, it periodically changed the requirements in newsletters issued to the staff. Consequently, we had difficulty determining the exact document requirements. After consulting with the QRF-S Program Manager at the Office of Provincial Affairs and NEA/I officials, we identified seven documents that were either requested or required to be in all files, plus one additional document applicable to projects undertaken with the Government of Iraq beginning in April 2009. This later requirement applied to 11 of the 20 QRF-S projects we reviewed for 2009-2010.

In our review, we also focused on documents that captured information on what each project achieved, and invoices and/or receipts that show how the money was spent. We looked for these documents because of concerns SIGIR previously identified regarding vulnerabilities in programs with easy access to cash and difficulties in determining outcomes. We looked for a

specific type of QRF Purchase Order form, called an SF-44B, which PRTs use to document micro-purchases. The SF-44B identifies what was purchased, the project purchasing officer, the person who supplied the goods and received the money and, if the payment was made in cash, the name of a witness and the individual who received the goods. If a project file contained SF-44Bs and invoices or receipts that accounted for most of the funds spent, we counted it as documenting how QRF-S funds were spent. If the project had an award results report that discussed the outcome, we counted the project outcome as documented. NEA/I officials told us that the PRTs were encouraged to provide award results but were not required to do so until March 2009.

NEA/I officials told us that they always requested invoices or receipts but did not require them until July 2010. However, this was not clear in NEA/I's implementing guidance. For example, standard operating procedures for the QRF from August 2007 state in the section entitled Verifying Receipt of Goods and Services: "PRTs must maintain a copy of the SF-44 and/or a copy of the DD 250 and vendors invoice in the project file." Similarly, a QRF Newsletter dated June 16, 2008, discussed how to make a cash payment for a micro-purchase and made several points, including: "Before disbursing funds, make sure that all parties sign the appropriate forms and invoices" and "All invoices and receipts must be originals." The newsletter also noted that original receipts, invoices, and forms should be submitted monthly to the Financial Management Office at the U.S. Embassy-Baghdad for original recordkeeping.

NEA/I officials also told us that SF-44Bs have been required for all micro-purchases since December 2007 and that the SF-44B can be used as an invoice. SIGIR's research does not support NEA/I's position that SF-44Bs can be used in lieu of invoices. According to the Simplified Acquisition Regulation, invoices are required and only the Procurement Executive can waive this requirement. SIGIR asked for a copy of this waiver but did not receive it. According to an official in the Office of the Procurement Executive, NEA/I was given a waiver to increase the QRF-S program's micro-purchase threshold to $25,000. SIGIR also notes that the instruction sheet for the SF-44B states that invoices must be submitted.

In technical comments on a draft of this report, NEA/I again reiterated that an SF-44B can serve as an invoice. However, SIGIR continues to believe that this is inappropriate. When cash payments are made without invoices the only control in place is the word of the project officer that a project was completed, and the money was spent appropriately. As discussed in this report, there were significant limitations in DoS's ability to visit project sites. When site visits cannot be conducted, it raises the importance of documenting how the money was spent. To eliminate the requirement for invoices when you are already limited in documenting outcome is to effectively throw out all controls. Later in this report, SIGIR discusses multiple projects in which payments were made when later research showed that no outcomes were achieved.

Documentation of 2009-2010 Projects Was Good

Overall, our review of records for 20 QRF-S projects conducted in 2009-2010 found that most of the requested or required documents were in the QRF Tracking Database. These projects had a combined value of $355,179. The results of our review are shown in Table 2, and data for each individual project is presented in Appendix D.

Table 2—Results of SIGIR Review of QRF-S Projects Conducted in 2009-2010

PRT	Documents requested or required	Documents missing	Percent missing
Baghdad	37	3	8
Anbar	39	8	21
Kirkuk	37	5	14
Mosul	36	6	17
Totals	**149**	**22**	**15%**

Source: QRF Tracking Database as of September 30, 2010.

As shown in Table 2, 22 of the 149 requested or required documents (15%) were missing from the 20 project files we reviewed. For key documentation on project outcome and use of funds, documents discussing outcome were missing for five projects (25%), and documents that provided complete financial documentation were missing for two projects (10%). Compared to the results of our review of 20 projects from the 2007-2008 time period, discussed later in this report, DoS has significantly improved its QRF-S management controls.

Documenting Outcome

SIGIR found that five of the 20 projects lacked adequate project outcome information. If the information in the database described some first-hand knowledge of what had occurred, we gave the project credit for meeting the requirement. For the five projects that we did not give credit to, one had no documented project outcome, and four contained only general language describing what the project was expected to achieve. For example, the Fallujah Electricity Sales Department Equipment Upgrade was a project to procure office equipment such as computers, printers, and copiers for the Fallujah Electricity Sales Department to increase revenue collection. The sales department is responsible for collecting the electricity bills for approximately 50,000 residents in Anbar province, but the amounts collected were only a fraction of what should have been collected due to inadequate office equipment. The documented project award result is "[t]he project will be extremely beneficial to the Fallujah Electrical Sales Department in that self-sufficiency, the ability to operate the entire office without outside assistance from Fallujah and GOI [Government of Iraq], will be met with the purchase of this equipment under this project." Because the documented result contained no information on what was actually achieved, we did not count it.

Another example is a project to purchase and install greenhouses to provide jobs and food products. Again, the award result provides no information that the greenhouses were ever built. It only restates the program intent, "[t]he greenhouses will improve the economic base of western Ninewa by providing the cooperative and its members with an alternative to wheat and barley." Because the documented result contained no information on what was actually achieved, we did not count it.

SIGIR recognizes that it is difficult to conduct site visits in Iraq—travel is hazardous, and security costs can easily exceed project costs. From our 20 selected DoS-managed projects conducted in 2009-2010, there were only five documented site visits. However, the difficulties in observing and assessing what has been achieved only add to the need to document how money has been spent, as discussed below.

Documenting Expenses

Of the 20 QRF-S projects reviewed for 2009-2010, SIGIR found that 18 projects (90%) had complete financial information—SF-44Bs and invoices and/or receipts. The other two projects (10%) had SF-44Bs but no invoices or receipts. The absence of invoices or receipts can conceal fraud. Following are the two projects without receipts or vouchers:

- A project in Anbar province involved purchasing 10 greenhouses with a total value of $16,667. In approving the project, the Embassy Technical Evaluation Committee stated that the PRT should reimburse the grantee only after obtaining receipts and proof that each recipient received the greenhouse. Also, the Memorandum of Agreement stated: (1) the contractor must provide pictures and grid/global positioning data for each greenhouse to receive payment, and (2) the contractor would be paid only after a final inspection of the greenhouses was made by a PRT representative. SIGIR found no documentation in the QRF Tracking Database to support that any of these requirements were addressed. Further, the agent making payment and the person who signed for the receipt of the goods were the same person. The failure to segregate duties is a significant internal control weakness.

- Another project in Anbar province involved purchasing honey bee equipment valued at $20,000. The SF-44B noted that, "The invoice is the detailed Statement of Work that constitutes the contract and it was verified as delivered by the contractor through eyes-on inspection of the equipment, supplies, service by the cashier upon payment." However, there was no Statement of Work in the QRF Tracking Database, and there were no documents showing that the contractor or anyone else had verified that the equipment was delivered. Even if the Statement of Work was in the database, SIGIR questions using this document as an invoice. In addition, there was a listing of the materials to be provided, e.g. equipment (veils, gloves, brushes, tools, smoker) with a unit price of $68 for 22 sets for a total of $1,496. The sum of the purchases was exactly $20,000. SIGIR notes that purchases that coincidentally equal estimates raise particular concern, especially with no invoices or receipts to support the purchases.

SIGIR Review of 2007-2008 Projects Found Major Documentation Problems

Overall, our review of records for the 20 QRF-S projects that were conducted in 2007-2008 found significant amounts of missing documents that were requested or required for each project. These projects had a combined value of $259,378. The results of our review are shown in Table 3. Data for each individual project is presented in Appendix E.

Table 3—Results of SIGIR Review of QRF-S Projects Conducted in 2007-2008

PRT	Documents requested or required	Documents missing	Percent missing
Baghdad	35	26	74
Anbar	35	18	51
Kirkuk	35	28	80
Mosul	35	6	17
Totals	**140**	**78**	**56%**

Source: QRF Tracking Database as of September30, 2010.

As shown in Table 3, 56% of the requested or required documents were missing from the 20 project files that we reviewed. Most significantly, 14 projects (70%) were missing documents on project outcome, and 14 projects (70%) were missing documents supporting expenses. For the five projects at Kirkuk we reviewed, all of the financial documentation was missing (SF-44Bs, invoices, and receipts). These projects had a combined value of about $65,000. Without these documents, DoS cannot be assured that the projects were completed, that fair and reasonable prices were charged, or that the funds were not lost or stolen.

Because our initial review of the 20 projects showed widespread problems, we expanded our review to include an additional 10 QRF-S projects from each of the 17 provinces listed in the QRF Tracking Database. Three of the provinces—Dahuk, Diwaniya, and Sulaymaniyah—each executed fewer than 10 micro-purchase projects during 2007-2008. Consequently, our second review totaled 159 projects for the 17 provinces. Our expanded review focused on three documents: (1) documents that identified project outcomes, (2) invoices and/or receipts that show how money was spent, and (3) SF-44Bs. The SF-44B documents the person who received the money, the signature of the person who made the payment, the signature of a witness to the payment, and other information.

Overall, SIGIR's analysis found that 35% of the documents were missing; 92 projects (58%) were missing documentation of project outcome; 43 projects (27%) were missing invoices and receipts; and 29 projects (18%) were missing SF-44Bs. A total of 21 projects (13%) were missing all three documents meaning that there is no record of what was accomplished or how the money was spent.

The amount of missing documentation varied widely among provinces. For example, Najaf was missing 3% and Kerbala was missing 7% of the three documents we looked for. Conversely, Muthanna was missing 100% of the documents we looked for.

In technical comments on a draft of this report, an NEA/I official stated the report concentrated on the early years of the QRF program and noted that particularly through 2007-2008, PRT attempts to collect paperwork were difficult to impossible due to security conditions. However, as we note later in this report, USAID's implementing partner DAI was able to provide us with virtually all of the required documents for the 20 IRAP projects that we selected for review from 2007-2008.

Beyond missing documentation, several 2007-2008 projects in our review also raised serious questions about DoS's oversight and possible fraud. The file of one $24,830 project to refurbish

a soccer field in the city of Baaj contained a note from the project manager stating that he had never received any money from the PRT. The SF-44B showed that the money had been turned over to the project manager, but the project was never completed, and there were no invoices or receipts to account for the money. There were documents stating that a PRT-Mosul official removed the soccer field restoration money from the PRT safe in November 2008, but no documents in the file showed what had been done with the money. Despite this, nothing in the file indicated that either the PRT or the Office of Provincial Affairs took any action to determine what had happened to the $24,830.

Questions about the soccer field restoration project led SIGIR to review other projects in Ninewa province but outside our original selection of projects. This review identified seven other projects, totaling $140,980, that raise questions about what exactly occurred. There were a number of similarities to the soccer field restoration project including that they all lacked invoices and receipts. Appendix B contains information on these seven additional projects, which have been referred to SIGIR Investigations for follow-up, along with the soccer field restoration project. We have not concluded that fraud has occurred in these cases, but the circumstances surrounding them represent a risk that warrants further investigation. Appendix B also contains information on other questionable projects, totaling $109,145, which we identified during our PRT visits or through project file reviews.

Adding to SIGIR's concerns about missing documents is the possible premature destruction of QRF-S files. A PRT-Baghdad official told SIGIR that QRF-S project files were destroyed at one of his ePRTs the day before he arrived to pick them up. The PRT official informed us that he wanted to retrieve the records before the ePRT was dissolved; however, when he arrived, he was informed that the records had been burned the day before because the ePRT did not know what to do with them.

NEA/I officials told SIGIR that that it is their policy to destroy documents once they have been entered into the QRF Tracking Database. However, SIGIR questions whether it is appropriate to vest personnel responsible for fund accountability with the authority to destroy original financial records without higher level concurrence. This also becomes relevant when documents in the database are not legible, as we found with one SF-44B, and when those documents are needed during an audit or a possible fraud investigation.

In technical comments on a draft of this report, an NEA/I official stated that a reason SIGIR could not locate key documentation is that some QRF-S project documents have never been entered into the database. All of the projects that SIGIR selected, however, came from the database indicating that at least some of the project documentation had been entered. Thus, NEA/I's explanation that the database is incomplete and documents are scattered in multiple locations years after the projects have been completed only adds to our project accountability concerns, particularly when documents are being destroyed.

USAID/DAI Management Controls Were Generally Good Despite Some Early Problems

Because day-to-day management was conducted by USAID's implementing partner DAI, we focused our review on DAI's management practices. To assess DAI's management controls of IRAP projects, SIGIR selected 40 IRAP-funded projects from two time periods—20 projects

from 2007-2008, and 20 from 2009-2010. All of these projects were conducted in Anbar, Baghdad, Ninewa, and Tameem provinces (five files from each province for each time period). For each project, we checked the Master File maintained in DAI's grants database, known as the Technical Assistance Management Information System (TAMIS), for required documentation.

According to the *IRAP Grants Administration Handbook*, the Master File should contain sufficient documentation so that an auditor with very little prior knowledge of the project would be able to quickly review the file and conclude whether the grant funds were used for their designated purpose, whether systematic and competitive procurement procedures were used, and whether all funds were properly accounted for. SIGIR checked for eight key management and financial documents identified in the *Handbook* that should be in the Master File, such as project budgets, grant agreements, invoices/receipts, site visit reports, and grantee close-out reports.

SIGIR Review of 2009-2010 Projects Found Good Documentation

Overall, our review of records for the 20 IRAP projects selected for 2009-2010 found all documents for the eight that we checked for each project. These projects had a combined value of about $4.6 million. The results of our review are shown in Table 4.

Table 4—Results of SIGIR Review of IRAP Projects Conducted in 2009-2010

PRT	Documents required	Documents missing	Percent missing
Baghdad	40	0	0
Anbar	40	0	0
Kirkuk	40	0	0
Mosul	40	0	0
Totals	**160**	**0**	**0%**

Source: TAMIS Grants Database.

As shown in Table 4, none of the required documentation was missing in our review of selected 2009-2010 IRAP projects. SIGIR found that documents discussing outcome and documents providing complete financial documentation were in the files for all 20 projects (100%). SIGIR's review of the project outcome reports found that they provided a good synopsis of the grant outcome and tied the outcome to the established metrics for the project. SIGIR also found that some projects did not have formal site visit reports, but we found evidence in the project files that site visits were made along with a discussion of what was observed during the visit. In these instances, we gave credit for making site visits and documenting the results.

Documentation of 2007-2008 Projects Was Good

Overall, our review of records for the 20 IRAP projects selected from 2007-2008 found virtually all of the eight documents we checked for each project. These projects had a combined value of about $3.6 million. The results of our review are shown in Table 5.

Table 5—Results of SIGIR Review of IRAP Projects Conducted in 2007-2008

PRT	Documents required	Documents missing	Percent missing
Baghdad	40	1	3
Anbar	39	0	0
Kirkuk	40	0	0
Mosul	40	0	0
Totals	**159**	**1**	**1%**

Source: TAMIS Grants Database as of September 30, 2010.

As shown in Table 5, 1% of the required documentation was missing in our review of selected 2007-2008 IRAP projects. The one missing document involved a grantee close-out report. SIGIR found that documents discussing outcome and documents providing complete financial documentation were in the files for all 20 projects (100%). SIGIR's review of the project outcome reports found that they provided a good synopsis of the grant outcome and tied the outcome to the established metrics for the project. SIGIR also found that some projects did not have formal site visit reports, but there was evidence in the project files that site visits were made along with a discussion of what was observed during the visit. In these instances, we gave credit for making site visits and documenting the results.

USAID/OIG Report Identified Problems

Despite DAI's good management controls over required project documentation, instances of waste and possible fraud occurred in the IRAP. On August 16, 2009, the USAID/OIG issued a report on the IRAP program: the report assessed 40 IRAP grants issued from October 2007 through March 2009.[4] The objective of the review was to determine if USAID's IRAP grants were achieving their main goal. Overall, the USAID/OIG found that the IRAP program was achieving its goals for most of the grants reviewed. However, the USAID/OIG identified a series of financial irregularities in the grants it reviewed. According to the report, the USAID/OIG found evidence of fictitious invoices, possible cost manipulation, and other improper billing practices. More specifically, the review found the following:

Program Was Achieving Its Goal for Most of the Grants Reviewed

For the grants reviewed, the IRAP program was, for the most part, achieving its objective of strengthening the ties between Iraq civilians, civil society, and governmental bodies. At least 30 of the 40 grants tested had contributed toward this objective in one way or another and had either fully or substantially achieved their intended results. Of the remaining 10 grants, 2 were still active.

Eight grants tested did not achieve their intended results. Contributing factors included design-related deficiencies, poor coordination with local government authorities, grantee's failure to provide its share of resources or facilitate the work to be done, and poor performance on the part of the implementing partner's subcontractors. Also, because of inconsistent monitoring by the implementing partner, some problems were not identified and addressed promptly.

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[4] *Audit of USAID/Iraq's Iraq Rapid Assistance Program (IRAP)*; Audit Report No. E-267-09-005-P, 08/16/2009.

Financial Irregularities Were Previously Identified

In reviewing the records supporting the expenses claimed under the sampled grants, the USAID/OIG identified a series of financial irregularities that provide evidence that the implementing partner's subcontractors may have been engaging in improper—and possibly fraudulent—billing practices at the program's expense. These included fraudulent payroll records, an alleged payroll scheme, and bills for equipment and other items supported with invoices that were suspect and apparently fictitious. According to the report, these irregularities went undetected because the implementing partner did not have adequate controls in place and did not provide sufficient oversight to deter and detect these irregularities.

Three Recommendations Were Made

The report made three recommendations to improve monitoring procedures and controls. Specifically, the USAID/OIG recommended that USAID/Iraq should require its implementing partner to: (1) establish appropriate procedures for monitoring active grants to ensure that grant implementation problems are identified, addressed, and reported to USAID in a timely manner; (2) adhere to prescribed payroll procedures when administering payroll activities for grantees; and (3) establish improved procedures to ensure that invoices and other records supporting expense claims are reviewed more thoroughly so that irregularities are detected and addressed.

In response to the USAID/OIG report, DAI took immediate steps to improve controls. For example, DAI hired a grants manager to review all vouchers and receipts provided by its subcontractors. According to a DAI official, the grants manager focused on ensuring that receipts were complete, allowable, allocable, accurate, and in compliance with policies and procedures. DAI also began deploying one of its headquarters internal auditors to Iraq every quarter to audit subcontractor expenses. In addition, DAI hired an Iraqi non-governmental organization to augment its monitoring function and conduct spot checks of IRAP projects to provide independent evaluations of project activity. SIGIR's current document review supports that DAI has done a good job in resolving the earlier problems.

Conclusions and Recommendations

Conclusions

DoS improved its management controls over the QRF-S after SIGIR's January 2009 report identified recordkeeping weaknesses. However, problems with QRF recordkeeping from 2007-2008 have not been addressed, and 35% of the records that could document program outcome and how funds were used are missing. Consequently, DoS cannot be assured that these projects were completed or that the funds were not lost or stolen. This is of particular concern because cash was used to pay for the QRF-S projects.

In addition to missing documents, SIGIR is concerned that PRT personnel, who were responsible for fund accountability, destroyed critical documents without higher level concurrence. This could be relevant if the destroyed documents are not in the database or those in the database are not legible and are needed in an audit or possible fraud investigation.

USAID and DAI should be commended for their efforts to ensure that required documents were in the IRAP project files. Although an earlier USAID/OIG report identified some problems in managing and overseeing IRAP projects, SIGIR's review found that USAID and its implementing partner have taken effective measures to address the problems.

Recommendations

SIGIR recommends that the U.S. Secretary of State direct the appropriate offices to take the following actions:

1. Conduct an assessment of all QRF-S projects initiated in 2007 and 2008 to determine if project outcomes are documented and funds can be accounted for.

2. Prepare a report for the Secretary on the assessment results and actions taken to address identified problems.

3. Ensure that the Office of Provincial Affairs and the PRTs understand and implement DoS records management policies and procedures and ensure that original QRF records are preserved and maintained until the assessment is completed.

Appendix A—Scope and Methodology

Scope and Methodology

In May 2010, the Special Inspector General for Iraq Reconstruction (SIGIR) initiated Project 1015 to examine the adequacy of the Department of State's (DoS) and the U.S. Agency for International Development's (USAID) management of Quick Response Fund (QRF) program activities to help prevent fraud, waste, and abuse. This audit was performed under the authority of Public Law 108-106, as amended, which also incorporates the duties and responsibilities of inspectors general under the Inspector General Act of 1978. SIGIR conducted its work from August through December 2010 in Washington, D.C. and Baghdad, Iraq.

To evaluate the adequacy of management controls, we met with DoS and USAID officials in Washington, D.C. and Baghdad, Iraq. We also met with USAID's implementing partner, Development Alternatives, Incorporated (DAI), at its headquarters in Bethesda, Maryland and in its Baghdad office. In addition to reviewing policies, procedures, guidelines, and other program related data, we were given access to the DoS QRF Tracking Database, which provided us with the individual files for all approved projects. DAI also provided us with information from its Iraq Rapid Assistance Program (IRAP) grants database, known as the Technical Assistance Management Information System (TAMIS).

To evaluate the adequacy of program management, we selected 80 projects for review—40 DoS-managed and 40 USAID/DAI-managed. Of the 80 projects selected, half were conducted in 2007-2008 and half in 2009-2010. For each time period, we selected five DoS-managed projects and five USAID/DAI-managed projects conducted at four Provincial Reconstruction Teams (PRT) in Iraq–Anbar (Anbar province), Baghdad (Baghdad, province), Kirkuk (Tameem province), and Mosul (Ninewa province). We selected only DoS micro-purchases and USAID grants because together they made up 89% of all projects.

For DoS-managed projects, our file reviews focused on determining whether requested and required documents for the approval, implementation, and close-out phases of the project were contained in the QRF Tracking Database. Following several discussions with DoS Bureau of Near Eastern Affairs/Iraq and Office of Provincial Affairs officials, SIGIR determined that seven requested or required documents for all DoS-managed projects should be in the database, plus one additional document applicable to projects undertaken with the Government of Iraq beginning in April 2009. This latter requirement for cost-sharing arrangements applied to 11 of the 20 DoS-managed projects reviewed for 2009-2010. We looked for budget proposals, SF-44Bs, invoices and/or receipts, project outcomes, and other documents.

We visited three of the four PRTs for which we initially selected DoS-managed projects for review; we could not travel to PRT-Anbar due to logistical and security matters. We interviewed various PRT team members regarding QRF activities including the team leader, deputy team leader, USAID representative, rule-of-law representative, and local nationals involved in QRF activities. We also reviewed project files to determine whether documents not found in the QRF Tracking Database were in the PRT project files.

Because of the number of missing documents that we found for DoS-managed projects conducted in 2007-2008, SIGIR expanded its review of DoS-managed projects during this time

period to all PRTs to determine the extent of missing documentation. SIGIR selected 10 DoS-managed projects from each of the 17 PRTs listed in the QRF Tracking Database. Three provinces—Dahuk, Diwaniya, and Sulaymaniyah—each executed fewer than 10 DoS-managed projects during 2007-2008. We reviewed 159 DoS-managed projects for the 17 provinces and focused on documents that captured information on what each project achieved, and receipts and/or invoices that show how the money was spent.

For USAID/DAI-managed projects, our file reviews focused on determining whether required documents for the approval, implementation, and close-out phases of the project were contained in the TAMIS grants database. Based on review of the USAID/DAI *IRAP Grants Administration Handbook* and discussions with DAI officials, SIGIR determined that eight key management and financial documents were required for all USAID-managed projects and should be maintained in the database. Some of the required documents we looked for included project budgets, grant agreements, invoices/receipts, project outcomes, and grantee close-out reports.

The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that SIGIR plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. SIGIR believes that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Use of Computer-processed Data

In performing this audit, SIGIR used DoS's QRF Tracking Database for QRF-S projects and DAI's TAMIS grants database for IRAP projects. We reviewed source documents and gathered other evidence to help ensure that the data from the selected projects for review was accurate, but we did not further verify the accuracy of data outside the selected projects. We also had multiple meetings with DoS and USAID/DAI officials to ensure that we understood the information and that we were using it properly. We did not review these systems, but we consider the data for the projects selected for review sufficiently reliable for the purposes of this audit based on our comparison of the source documents with the data contained within these systems. We discuss problems with the completeness of the QRF Tracking Database in this report.

Internal Controls

In performing this audit, we reviewed DoS's and USAID's internal management and financial controls for administering the QRF. As a key part of this work, we reviewed DoS guidelines, USAID/DAI's *IRAP Grants Administration Handbook*, and information in the QRF Tracking Database and TAMIS grants database. We also held discussions with key officials to gain an understanding of the internal controls governing the use of QRF funds. We considered conclusions and comments in independent audit reports concerning the adequacy of DoS's and USAID's internal controls over the QRF-S and IRAP, respectively. The reports we reviewed are listed below. We presented the results of our review of internal controls in this report, as appropriate.

Related Audit Reports

We reviewed the following applicable audit and other reports issued by SIGIR, DoS, USAID, and Management Systems International.

Special Inspector General for Iraq Reconstruction

Opportunities To Improve Management of the Quick Response Fund, SIGIR 09-011, 01/29/2009.

Department of State

Review of the QRF Program, Department of State, Office of the Procurement Executive and Near Eastern Affairs/Iraq/Economic Assistance, 03/2008.

U.S. Agency for International Development

Audit of USAID/Iraq's Iraq Rapid Assistance Program (IRAP), Office of Inspector General, Audit Report No. E-267-09-005-P, 08/16/2009.

Management Systems International

Review of the U.S. Department of State's Quick Response Fund (QRF) Program, Management Systems International, 04/2009.

Appendix B—Problematic QRF-S Projects Not Included in SIGIR's Selected Projects for Review

SIGIR's original assessment of 40 DoS-managed projects, 20 each from 2007-2008 and 2009-2010, resulted in our identifying one project in Ninewa province that raised questions of possible fraud that is discussed in the body of this report. This project led us to review other projects within this province but outside of the 40 projects selected for review. This resulted in our identification of at least seven other projects that raise management and financial questions about exactly what happened. These seven projects, totaling $140,980, were not part of our design methodology; therefore, they are not discussed in the report. However, we present information on them in this appendix because the problems we found may be significant. Following is a summary of each of the seven projects.[5] These seven projects have been referred to SIGIR Investigations for follow up, along with the soccer field restoration project. We have not concluded that fraud has occurred in these cases, but the circumstances surrounding them represent a risk that warrants further investigation.

Medical Clinic Supplies

This $15,040 project was a micro-purchase agreement for medical treatment and supplies for people in Ninewa province who were suffering from a disease outbreak. The project was to be completed in August 2008. In May 2009, two PRT team members visited the clinic and, according to file documents, the clinic director denied ever doing business with the PRT and claimed to have no knowledge of the project. The QRF Tracking Database had no invoices or receipts showing how the $15,040 had been used.

Farm Association Basic Office Infrastructure (3 separate projects)

Three $25,000 micro-purchase agreements were used to purchase computers, furniture, books, and air conditioning units for separate farm associations in Ninewa province. According to file documents, in a follow-up visit to the three farm associations, PRT officials found that the items had not been purchased. Nonetheless, all three micro-purchase agreements were revised so the items could be purchased. The PRT did not subsequently follow up to determine if the items were purchased. The QRF Tracking Database contained an SF-44B, but there were no invoices or receipts to show how the $75,000 allocated for the three projects had been used.

Computers, Furniture, and Other Items for a Nurses' Training Center

This $14,800 micro-purchase agreement was to purchase computers, furniture, kitchen supplies, heating and cooling units, and other items for a nurses' training center in Ninewa province. A report in the file documented that a site visit had been conducted 8 months after the funding was provided, but the report did not discuss the project. The QRF Tracking Database contained an SF-44B but did not contain any invoices or receipts showing how the $14,800 had been used.

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[5] The project entitled "Farm Association Basic Office Infrastructure" involves three identical projects each costing $25,000 for separate farm associations in Ninewa province.

Computers, Furniture, and Other Items for a Women's Center

This $24,360 micro-purchase agreement was to purchase computers, furniture, a heating and cooling unit, and other items for a women's center in Ninewa province. The QRF Tracking Database contained no information on the results of the project. It contained an SF-44B but did not contain any invoices or receipts to show how the $24,360 had been used.

Medicine for a Medical Clinic

This $11,780 micro-purchase agreement was for procuring medicine for patients suffering from a disease outbreak in Ninewa province. Documents in the project files included a list of 67 medicines. Although there was an SF-44B, there were no invoices or receipts for the medicines. One document in the project file stated that the PRT did not consider the project to be successfully implemented but did not amplify the reasons why.

Other Questionable Projects

In addition to the eight projects referred to SIGIR Investigations, several other questionable projects involving potential waste and fraud were brought to our attention by individuals during visits to the PRTs or through project file reviews. These projects, totaling $109,145, were outside of the 40 projects SIGIR selected for review.

Annual School Science Competition

This $24,995 project was a micro-purchase agreement for laboratory and other equipment for the school system in Ninewa province. The equipment would have allowed students to compete in a new science competition scheduled to begin during the 2008-2009 school year. According to project documents, the PRT determined that "this project was a complete failure—funds were given to the grantee in advance and no project activities have occurred to date." The documents also stated that the PRT had attempted to contact the grantee to collect the funds but that the PRT had been unable to find the grant recipient.

Fish Hatchery Tank, Tools, and Supplies

This $22,150 project was a micro-purchase agreement for fish hatchery equipment to improve the size and numbers of fish, and to restock depleted ponds and lakes in Anbar province. Subsequent project evaluations noted that the project probably should not have been funded because it was not well thought out and the fish hatchery was never in use. For example, files noted that the equipment purchased was too small to function well and that local residents were not trained how to use it. Moreover, the PRT noted that fishing on the river was illegal, and fishing on the lake was severely restricted. The QRF Tracking Database contained no invoices or receipts to support the purchases.

Metal Trash Cans—Haditha

This $21,000 micro-purchase agreement was for purchasing metal trash cans with lids for the city of Haditha in Anbar province. The fund recipient was to purchase 300 trash cans for which

the recipient charged $70 per trash can or $21,000 for the agreement. The QRF Tracking Database had no documentation of outcome and no invoices or receipts to support the project.

Metal Trash Cans—Haqlaniyah

This $21,000 micro-purchase agreement was for purchasing metal trash cans with lids for the city of Haqlaniyah in Anbar province. The fund recipient was to purchase 300 trash cans for which the recipient charged $70 per trash can or $21,000 for the agreement. The QRF Tracking Database had no documentation of outcome and no invoices or receipts to support the project.

Haditha Business Association—English Training

This $5,000 micro-purchase agreement was for hiring individuals to teach English to Iraqi job applicants. The recipient was also associated with the trash can purchases in Haditha and Haqlaniyah. Again, there was no documentation of outcome and no invoices or receipts in the QRF Tracking Database. The award recipient was also required to submit a written report of how the funds were spent, but no report was found in the database.

Court House Computers and Internet

This $15,000 micro-purchase agreement was for purchasing and maintaining computers and internet service for one year for a courthouse in Baghdad province. According to a PRT official, this project was successfully completed, and the internet service was provided for the one year as specified in the contract. Subsequently, the grant recipient told the PRT that the computers were not being used because the Government of Iraq would not pay for internet service.

Appendix C—Acronyms

Acronym	Description
DAI	Development Alternatives, Incorporated
DoS	Department of State
IRAP	Iraq Rapid Assistance Program
N/A	Not Applicable
NEA-I	Near Eastern Affairs/Iraq
PRT	Provincial Reconstruction Team
QRF	Quick Response Fund
QRF-S	Quick Response Fund-State
SIGIR	Special Inspector General for Iraq Reconstruction
TAMIS	Technical Assistance Management Information System
USAID	U.S. Agency for International Development
USAID/OIG	U.S. Agency for International Development Office of Inspector General

Appendix D—Results of SIGIR's Documentation Review of QRF-S Projects for 2009-2010

The following tables show the results of SIGIR's documentation review as of September 30, 2010.

PRT/QRF-S Files Check List for Baghdad (Baghdad Province)

Micro-purchases (MP)	MP-5818	MP-6484	MP-7480	MP-7511	MP-7594
Approval Phase					
Vetting (Terrorist Check List)	X	X	X	X	X
Project Paper Authorization	X	X	X	X	X
Project Proposal	-	-	X	X	-
Cost-Sharing Agreement	N/A	N/A	N/A	X	X
Budget Proposal	X	X	X	X	X
Implementation Phase					
SF-44B	X	X	X	X	X
Invoices/Receipts	X	X	X	X	X
Close-out Phase					
Award Results	X	X	X	X	X
Totals					
Documents Requested/Required	7	7	7	8	8
Documents in File	6	6	7	8	7
Documents Missing	1	1	0	0	1
Percent Missing	14%	14%	0%	0%	13%

Note:

N/A represents not applicable due to the project either occurring before the cost-sharing agreement was required or because the project did not involve a Government of Iraq entity.

Source: QRF Tracking Database.

PRT/QRF-S Files Check List for Anbar (Anbar Province)

Micro-purchases (MP)	MP-6423	MP-5780	MP-7661	MP-7072	MP-7488
Approval Phase					
Vetting (Terrorist Check List)	X	X	X	X	X
Project Paper Authorization	X	X	X	X	X
Project Proposal	-	-	X	-	X
Cost-Sharing Agreement	-	N/A	X	X	X
Budget Proposal	X	X	X	X	X
Implementation Phase					
SF-44B	X	X	X	X	X
Invoices/Receipts	X	-	X	-	X
Close-out Phase					
Award Results	-	X	X	-	X
Totals					
Documents Requested/Required	8	7	8	8	8
Documents in File	5	5	8	5	8
Documents Missing	3	2	0	3	0
Percent Missing	38%	29%	0%	38%	0%

Source: QRF Tracking Database.

PRT/QRF-S Files Check List for Kirkuk (Tameem Province)

Micro-purchases (MP)	MP-5839	MP-5260	MP-5923	MP-7212	MP-6397
Approval Phase					
Vetting (Terrorist Check List)	X	X	X	X	X
Project Paper Authorization	X	X	X	X	X
Project Proposal	-	-	-	X	X
Cost-Sharing Agreement	-	N/A	-	N/A	N/A
Budget Proposal	X	X	X	X	X
Implementation Phase					
SF-44B	X	X	X	X	X
Invoices/Receipts	X	X	X	X	X
Close-out Phase					
Award Results	X	X	X	X	X
Totals					
Documents Requested/Required	8	7	8	7	7
Documents in File	6	6	6	7	7
Documents Missing	2	1	2	0	0
Percent Missing	25%	14%	25%	0%	0%

Source: QRF Tracking Database.

PRT/QRF-S Files Check List for Mosul (Ninewa Province)

Micro-purchases (MP)	MP-5314	MP-6112	MP-5059	MP-6457	MP-7421
Approval Phase					
Vetting (Terrorist check list)	X	X	X	X	X
Project Paper Authorization	X	X	X	X	X
Project Proposal	X	X	-	X	-
Cost-Sharing Agreement	N/A	-	N/A	N/A	N/A
Budget Proposal	X	X	X	X	X
Implementation Phase					
SF-44B	X	X	X	X	X
Invoices/Receipts	X	X	X	X	X
Close-out Phase					
Award Results	X	X	-	-	-
Totals					
Documents Requested/Required	7	8	7	7	7
Documents in File	7	7	5	6	5
Documents Missing	0	1	2	1	2
Percent Missing	0%	13%	29%	14%	29%

Source: QRF Tracking Database.

Appendix E—Results of SIGIR's Documentation Review of QRF-S Projects for 2007-2008

The following tables show the results of SIGIR's documentation review as of September 30, 2010.

PRT/QRF-S Files Check List for Baghdad (Baghdad Province)

Micro-purchases (MP)	MP-777	MP-1079	MP-1102	MP-1143	MP-1520
Approval Phase					
Vetting (Terrorist Check List)	X	X	X	X	X
Project Paper Authorization	-	-	-	-	-
Project Proposal	X	-	-	-	-
Budget Proposal	X	-	-	-	-
Implementation Phase					
SF-44B	X	-	-	-	-
Invoices/Receipts	X	-	-	-	-
Close-out Phase					
Award Results	-	-	-	-	-
Totals					
Documents Requested/Required	7	7	7	7	7
Documents in File	5	1	1	1	1
Documents Missing	2	6	6	6	6
Percent Missing	29%	86%	86%	86%	86%

Source: QRF Tracking Database.

PRT/QRF-S Files Check List for Anbar (Anbar Province)

Micro-purchases (MP)	MP-1549	MP-1633	MP-1642	MP-1654	MP-1628
Approval Phase					
Vetting (Terrorist Check List)	X	X	X	X	X
Project Paper Authorization	-	-	-	-	-
Project Proposal	X	-	-	-	-
Budget Proposal	X	-	-	-	X
Implementation Phase					
SF-44B	X	X	X	X	X
Invoices/Receipts	X	X	X	-	X
Close-out Phase					
Award Results	-	-	-	-	-
Totals					
Documents Requested/Required	7	7	7	7	7
Documents in File	5	3	3	2	4
Documents Missing	2	4	4	5	3
Percent Missing	29%	57%	57%	71%	43%

Source: QRF Tracking Database.

PRT/QRF-S Files Check List for Kirkuk (Tameem Province)

Micro-purchases (MP)	MP-1835	MP-1837	MP-1848	MP-1849	MP-1836
Approval Phase					
Vetting (Terrorist Check List)	X	X	X	X	X
Project Paper Authorization	-	-	-	-	-
Project Proposal	-	-	-	-	-
Budget Proposal	-	-	-	-	-
Implementation Phase					
SF-44B	-	-	-	-	-
Invoices/Receipts	-	-	-	-	-
Close-out Phase					
Award Results	-	X	X	-	-
Totals					
Documents Requested/Required	7	7	7	7	7
Documents in File	1	2	2	1	1
Documents Missing	6	5	5	6	6
Percent Missing	86%	71%	71%	86%	86%

Source: QRF Tracking Database.

PRT/QRF-S Files Check List for Mosul (Ninewa Province)

Micro-purchases (MP)	MP-4517	MP-3761	MP-2176	MP-1914	MP-1850
Approval Phase					
Vetting (Terrorist Check List)	X	X	X	X	X
Project Paper Authorization	X	X	X	X	-
Project Proposal	X	X	X	X	X
Budget Proposal	X	X	X	X	X
Implementation Phase					
SF-44B	X	X	X	X	-
Invoices/Receipts	-	-	X	-	X
Close-out Phase					
Award Results	-	X	X	X	X
Totals					
Documents Requested/Required	7	7	7	7	7
Documents in File	5	6	7	6	5
Documents Missing	2	1	0	1	2
Percent Missing	29%	14%	0%	14%	29%

Source: QRF Tracking Database.

Appendix F—Audit Team Members

This report was prepared and the audit conducted under the direction of Glenn D. Furbish, Assistant Inspector General for Audits, Office of the Special Inspector General for Iraq Reconstruction. The staff members who conducted the audit and contributed to the report include:

Ziad M. Buhaissi

Benjamin H. Comfort

L. Michael Welsh

Appendix G—Management Comments

United States Department of State

Washington, D.C. 20520

April 19, 2011

Stuart W. Bowen Jr.
Inspector General
Special Inspector General for Iraq Reconstruction
400 Army Navy Drive
Arlington, VA 22202

Dear Mr. Bowen:

The Bureau of Near Eastern Affairs submits the following response to the recommendations included in the audit report "QUICK RESPONSE FUND (QRF): Management Controls Have Improved, But Earlier Projects Need Attention" on behalf of the Secretary of State.

(1) Conduct an assessment of all QRF-S projects initiated in 2007 and 2008 to determine if project outcomes are documented and whether funds can be accounted for.

 ➢ **Concur**. State agrees with the recommendation. Subject to funding and manpower, NEA/I and the Embassy will assess the program, as designed and implemented, to ensure that the program guidelines and requirements were followed.

(2) Prepare a report for the Secretary on the assessment results and actions taken to address identified problems.

 ➢ **Concur**. State agrees with the recommendation. If an assessment is completed a report indicating assessment results and actions taken to address identified problems will be sent to the Secretary of State.

Mr. Stuart W. Bowen, Jr.,
       Inspector General,
             Special Inspector General for Iraq Reconstruction,
                   400 Army Navy Drive, Suite 600,
                         Arlington, Virginia 22202.

(3) Ensure that the Office of Provincial Affairs (OPA) and the PRTs understand and implement DoS records management policies and procedures and ensure that original QRF records are preserved and maintained until the assessment is completed.

> **Concur**. State agrees with the recommendation. We will work with the Department of State Agency Records Management Office to set up disposition schedules and direct OPA and the PRTs to preserve and maintain their records henceforth and ensure our documentation of the QRF program is consistent with Department of State policies.

I hope this information is useful. Please do not hesitate to contact me if you have additional questions.

Sincerely,

John Desrocher
Deputy Assistant Secretary, Acting
Bureau of Near Eastern Affairs

Appendix H—SIGIR Mission and Contact Information

SIGIR's Mission	Regarding the U.S. reconstruction plans, programs, and operations in Iraq, the Special Inspector General for Iraq Reconstruction provides independent and objective: • oversight and review through comprehensive audits, inspections, and investigations • advice and recommendations on policies to promote economy, efficiency, and effectiveness • deterrence of malfeasance through the prevention and detection of fraud, waste, and abuse • information and analysis to the Secretary of State, the Secretary of Defense, the Congress, and the American people through Quarterly Reports
Obtaining Copies of SIGIR Reports and Testimonies	To obtain copies of SIGIR documents at no cost, go to SIGIR's Web site (www.sigir.mil).
To Report Fraud, Waste, and Abuse in Iraq Relief and Reconstruction Programs	Help prevent fraud, waste, and abuse by reporting suspicious or illegal activities to the SIGIR Hotline: • Web: www.sigir.mil/submit_fraud.html • Phone: 703-602-4063 • Toll Free: 866-301-2003

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